

## Cooperative Development Program Report

January 1<sup>st</sup> – June 30<sup>th</sup>, 1999

### *Introduction*

ACDI/VOCA has a long history with USAID's Cooperative Development Program (CDP). ACDI/VOCA was created through the 1997 merger of Agricultural Cooperative Development International and Volunteers in Overseas Cooperative Assistance. As separate entities, both ACDI and VOCA can trace their participation in this important program to their origins. ACDI/VOCA's roots with this program go back to the Humphrey Amendment of the Foreign Assistance Act of 1961, in which Congress called on USAID to include cooperative development in its assistance programs and to draw upon the resources of U.S. cooperatives to do so. Since 1963, ACDI/VOCA has been one of USAID's principal means of carrying out this important directive.

For this CDP report, we note that Brazil continues to suffer from an economic crisis, and this year the financial crunch has begun to impact agricultural cooperatives at the local level. Substantial efforts have gone into asking individual cooperatives to cover in-country costs until our in-country funding is available; the capacity for cooperatives to cover costs during this economic hardship is limited, and means that volunteer assignments may decrease in the months to come. During the last six months, the state government of Tocantins, an alternative Brazilian partner for in-country funding, has enabled us to move forward with two assignments involving fruit processing and marketing. Meanwhile, ACDI/VOCA has received increased requests for aquaculture and fish marketing assistance, and has been approached by the Ministry of Agriculture's Department of Fisheries and Aquaculture for collaboration. Our original partner in Brazil is the Organization of Brazilian Cooperatives (OCB), which has been given a new source of funding by the federal government. ACDI/VOCA expects full OCB in-country financial support to become available to our clients by October 1999. This will help fulfill the pledge made in their December 1998 letter, which committed the OCB system to cover their counterpart share of PRODESAM program costs.

Southern States Cooperative activities in Ukraine acquired a feedmill and conducted planting activities as well as substantial feed trials. There were many encouraging results, and these will be mentioned below.

During the last program year, **24** volunteer assignments and five paid assignments were completed. Worldwide, **11** volunteer assignments were completed the January 1<sup>st</sup> - June 30<sup>th</sup> period and more scopes of work were written for future assignments. To date **48** volunteer assignments and five paid assignments have been completed under the Cooperative Development Program.

## ***Brazil Component***

The original goal of the Brazil activity under CDP is to strengthen the institutional capacity of rural cooperatives in the Brazilian Amazon. USAID/BHR/PVC and USAID/Brazil have expanded our mandate to include the impoverished Northeast if we are able to locate additional resources to fund activities there.

ACDI/VOCA has long history in Brazil; between 1973 and 1985 thirty volunteer assignments were conducted using our traditional cooperative development funding. This period introduced ACDI/VOCA to cooperative organizations in Brazil and positioned it for future activity.

The current Cooperative Development Program in Brazil is built on previous Farmer-to-Farmer activity conducted between 1994 and 1996, a period in which thirty-three assignments were carried out. Fifteen of these assignments were carried out in 1996, cementing the partnership with the Organization of Brazilian Cooperatives established in 1995.

The 1994 - 1996 activities included the 1995 launching of PRODESAM: the Program for the Development of the Amazon. PRODESAM was a collaborative effort supported by the Department of Cooperatives and Rural Associations (DENACOOOP, Federal Ministry of Agriculture and Supply), the Organization of Brazilian Cooperatives (OCB), the International Cooperative Alliance (ICA) and ACDI/VOCA.

ACDI/VOCA opened an office in 1995 in OCB's headquarters in Brasília. Since 1998, we have been officially registered with the Brazilian government.

### **Program Overview**

ACDI/VOCA continues to wait for the Brazilian government to release money through the new mechanism by which the Organization of Brazilian Cooperatives (OCB) will access federal funding for its cooperative development activities. In the past OCB had received its funding from DENACOOOP. This was changed by an executive order in 1998, which established a fund for cooperative training and technology transfer (SESCOOP- the National Service for Cooperative Training). The SESCOOP fund is expected to provide strong support for OCB's operating budget.

SESCOOP is funded by the reprogramming of the 2.5% payroll tax that cooperatives (like all private enterprises in Brazil) pay to fund various training institutions in Brazil. SESCOOP is governed by a board consisting of one representative each from the Ministry of Labor, the Ministry of Welfare, the Ministry of the Treasury, the Ministry of Budget and Planning, and the Ministry of Agriculture and Supply. In addition to these representatives, the OCB president and four representatives sit on the board, as well as one representative from workers cooperatives.

ACDI/VOCA's other major partner in Brazil is the state government of Tocantins. In Tocantins, the Secretariat of Industry and Commerce and the Secretariat of Agriculture are interested in promoting cooperatives as a means of generating employment. As partner organizations for ACDI/VOCA, they are covering the in-state costs of the volunteer assignments they sponsor.

Charles Cox, the Senior Vice President for Latin America and the Caribbean, traveled to Tocantins in March to meet with state officials and finalize details on a memorandum of understanding. ACDI/VOCA anticipates other follow-up assignments for these efforts this year.

Finally, ACDI/VOCA anticipates continuing demand for cooperative fishing and aquaculture assignments in the states of Roraima, Maranhão, Amapá, Pará and Tocantins, with in-country costs being covered by the Ministry of Agriculture and Supply's Department of Fish and Aquaculture, or similar state agencies. In January ACDI/VOCA participated in a conference on fish cooperatives in São Paulo, organized by the Ministry of Agriculture and Supply's Department of Fish and Aquaculture, the Organization of Brazilian Cooperatives (OCB), and the International Cooperative Alliance (ICA). ACDI/VOCA provided an overview of its experience with fishing cooperatives and aquaculture and subsequently received several requests for technical assistance. This interested the Department of Fish and Aquaculture; ACDI/VOCA hopes to sign an agreement with them in the near future which would provide us with more in-country resources for covering volunteers costs.

## Volunteer Activities

Between January 1st and June 30th 1999, ACDI/VOCA carried out **eight** volunteer assignments in **four** Amazon states using **seven** volunteers. (See attachments) Volunteer assignments focused on cooperative management, organic agriculture and tropical fruit processing and marketing. Five volunteers were hosted by individual cooperatives; the two others by the state government of Tocantins (Secretariat of Industry and Commerce).

Cooperatives working with fruit juice, rice and organic produce were assisted. One volunteer conducted a cooperative management evaluation with a cooperative in Amazonas (Jim Oliver- CD300049). The volunteer assignments done in coordination with the Secretariat of Industry and Commerce in the state of Tocantins focused on fruit processing and regional and export market development. (respectively Fred Voit- CD300039 and James Sousane- CD300040). **14** volunteer assignments were completed in 1998-1999, bringing to a total of **35** assignments completed, representing 73% of ACDI/VOCA's volunteer activities under the CDP grant.

ACDI/VOCA-Brazil program has placed an emphasis on improving cooperative management, but has also achieved tangible results in other areas. Because of technical assistance provided in an agroforestry assignment (CD300027), 45,000 teak trees were planted by COAPEX in the state of Rondônia in an effort to roll back deforestation as well as reduce its future reliance on Brazil nut earnings. Neem trees (*Azadirachta indica*) were also introduced to several COAPEX farms in order to provide a future source of organic insecticide. In Tocantins, the USAID-funded CDP technical assistance has helped influence the development of the agricultural sector, enabling the state government to incorporate the needs and potential of small-scale farmers organized into associations. ACDI/VOCA volunteers helped identify varieties of fish, fruit and vegetables most suitable for regional and external markets, as well as the proper processing technologies that should be pursued for these markets. In short, ACDI/VOCA's interventions are not just focused on the cooperative level; many of these have a much broader effect.

Assignment Number, Volunteer, and Host	1999 Brazil Volunteer Assignment Summary	Duration	Begin & End Dates	State
<b>CD300036 Dr. Chris Ramcharam</b> Cooperativa Agropecuária de Alvorada (COOPERALVA) Presidente: Joaquim Parente de Moraes Coordenador: Elizio Mira De Oliveira Tel: (063)853-1249 / 853-1293	Taught mango grafting and how to airlayer mango using rooting hormone. Gave seminar on mango varieties suitable for Alvorada region, as well as on minor tropical fruits and their potential economic and culinary uses. Provided production advice on mango, citrus, pineapple and coconut production to COOPERALVA members. Provided follow-up advice from previous assignment (CD300019) conducted in October 1997.	29 days	05/01/99 to 05/30/99	Tocantins - TO
<b>CD300039 Mr. Fred Voit</b> Secretaria De Indústria e Comércio Governo do Estado do Tocantins (SIC) Coordenador: Sr. João Cruz (Assessor) Tel: (063) 218-2004 / 978-2275/218-2090	Studied the fruit production levels and processing facilities/capabilities within the state and determined which value-added technologies were feasible for cooperative fruit producers. Recommended that the state promote increased fruit production, which would allow the development of frozen fruit pulp and diced fruit industries.	30 days	03/14/99 to 04/14/99	Tocantins - TO
<b>CD300040 Mr. James Sousane</b> Secretaria De Indústria e Comércio Governo do Estado do Tocantins (SIC) Coordenador: Sr. João Cruz (Assessor) Tel: (063) 218-2004 / 978-2275/218-2090	Conducted a feasibility study of Tocantins' potential tropical fruit exports. Identified a coherent system for promoting fruit exports, including which varieties to promote and the quantities needed to make exports economically feasible.	19 days	04/11/99 to 04/30/99	Maranhão - MA
<b>CD300049 Mr. James Oliver</b> Cooperativa dos Produtores da Comunidade Sagrado Coração de Jesus do Paraná da Eva (ASCOPE) Presidente: Sr. Alcides Holanda Da Silva Tel: (092) 625-1936 OCEAM – Sr. Estevam da Costa (Presidente) Tel: (092) 233-7071	Conducted a cooperative management evaluation of ASCOPE's store operations. Recommended the establishment of a color-coded inventory system, rotation of stock and buyers, pricing oversight and relocation of the fuel depot.	16 days	05/01/99 to 05/17/99	Amazonas - AM

Assignment Number, Volunteer, and Host	1999 Brazil Volunteer Assignment Summary	Duration	Begin & End Dates	State
<b>CD300053 Mr. Brett Nelson</b> Cooperativa Mista dos Produtores Rurais de Cururupu Ltda. (COMAPRUC) Presidente: Sra Januária da Cruz Santos Tel: (098) 391-1521 OCEMA – Adalva Monteiro (Presidente) Tel: (098) 222-8092	Conducted a feasibility study of COMAPRUC's potential agricultural operations. Wrote implementation plan for improvement of agricultural production.	10 days	04/06/99 to 04/18/99	Maranhão - MA
<b>CD300055 – Dr. Hany Khalil</b> Cooperativa Agrícola Mista de Barra do Corda Ltda. (COPABA) Presidente: Rubervam Dias da Silva Tel: (098) 643-2567 OCEMA – Adalva Monteiro (presidente) Tel: (098) 222-8092	Worked with COPABA on improving its quality control of its fruit pulp by reducing bacteria. Taught simple pathogen tests suitable for COPABA's laboratory.	14 days	06/14/99 to 06/28/99	Maranhão - MA
<b>CD300057 Mr. Brett Nelson</b> Cooperativa dos Produtores Rurais de Viana Presidente: Osvaldo Gomes de Albuquerque (098) 351-1231 / (098) 351-1203 OCEMA – Adalva Monteiro (Presidente) Tel: (098) 222-8092	Conducted a feasibility study of Viana's potential agricultural operations. Wrote implementation plan for improvement of agricultural production and trained small producers in agricultural production techniques.	10 days	04/19/99 to 04/29/99	Maranhão - MA
<b>CD300060 Dr. Philip Wheeler</b> Organização das Cooperativas do Estado do Acre (OCEA) Presidente: Francisco Samonek Coordenadora: Denise Fripp-DFA- Tel: (068) 223-6094	Taught composting and organic agricultural production techniques to nascent cooperatives and associations. In collaboration with the University of Acre and the Federal Delegate of Agriculture, gave a seminar on suitable soil and plant tissue tests for organic producers. Provided extension advice on organic production of lettuce and other types of produce to promoters working with small farmers.	14 days	05/24/99 to 06/07/99	Acre - AC

## HQ and Field Office Administration

In April A/V-Brazil presented its annual programmatic and financial reports to the Ministry of Justice, as all officially registered NGOs are required to do by law. These were subsequently approved.

ACDI/VOCA-Brazil's Country Representative, Dr. Celso Claro de Oliveira, appeared on national television in a fifteen-minute interview on *TV A Cabo*. He gave an overview of ACDI/VOCA-Brazil's USAID-funded CDP program, and its cost-sharing partnership with the Organization of Cooperatives of Brazil.

## Business Development Activities

A/V-Brazil expects the Department of Cooperatives and Rural Associations (DENACOOOP, Federal Ministry of Agriculture and Supply) to release R\$300,000 of funding for in-country volunteer costs as well as to support some of the office costs. This funding has been approved for quite some time, but internal political rivalries led a previous Secretary of Rural Development to withhold the funding. That individual was removed from office by order of the president of the republic in June. Since then, A/V-Brazil has met with Dr. Rinaldo Junqueira, the new secretary, to brief him on A/V-Brazil's activities and accomplishments in the country.

Celso Claro de Oliveira, A/V-Brazil's Country Representative accompanied Charles Cox, A/V's Senior Vice President for Latin American and Caribbean Programs, on visits to international, federal and state agencies in March. In Brasília, contacts were made or strengthened with the following:

- Ms. Janice Weber, Mission Director, USAID;
- Dr. Walter Franco, Country Director, UNDP;
- Dr. Sarney Filho, Minister, Ministry of the Environment;
- Mr. Eduardo Martins, President, National Institute for the Environment (IBAMA);
- Mr. Dejandir Dalpasquale, President, Organization of Cooperatives of Brazil (OCB);
- Dr. Agnaldo Lelis, Secretary, Secretariat of Agriculture for the Federal District; and
- Ms. Helena Roraima I. C. Leite, Manager of Institutional Relations, Banco do Nordeste.

In January, Charles Cox and Dejandir Dalpasquale signed a memorandum of understanding that reaffirmed OCB's continuation of its partnership with ACDI/VOCA. This includes the provision of rent-free, furnished OCB office space in Brasília for ACDI/VOCA.

Visits were also made to the states of Maranhão and Roraima. In Maranhão, contacts were made with state officials and cooperatives. In Roraima, visits were made to local cooperatives and two scopes of work were developed. Contacts were also made with state officials and the Brazilian Service for Assistance of Micro and Small Enterprises (SEBRAE).

A/V-Brazil is in the process of developing agreements with the following institutions: Instituto Internacional para o Desenvolvimento da Cidadania (IIDAC), Empresa Brasileira de Turismo

(EBTU) and Superintendência de Desenvolvimento da Zona Franca de Manaus (SUFRAMA). If finalized, these agreements would respectively cover in-country costs for volunteers working with NGOs in the Northeast, on ecotourism or agrotourism assignments, and on income-generating projects around the Free Port of Manaus. Further details will be provided when any of these agreements are finalized.

Finally, we are currently engaged in a strategic planning exercise with our in-country staff and national- and regional-level cooperative leadership as we consider reorienting our efforts to strengthen local-level agricultural cooperatives. The gist of the approach we are considering for the next few years is coalition building among all organizations and agencies working at the country level to bring more assistance efforts to bear with these cooperatives. Short-term technical assistance from our side is only one part of the equation, and our most successful and sustainable interventions have come where local Brazilian assistance entities have been engaged in the TA assignments from the beginning, remaining engaged after the departure of A/V volunteers. We are working on expanding and strengthening this model, and we will provide a status update on this fine-tuning exercise in our next report.

## ***Mozambique Component***

### **January – June 1999**

The goal of the Mozambique activity under CDP is to increase the business capabilities of indigenous cooperatives and associations of small producers in Mozambique.

#### **Program Overview**

In the last six months, ACDI/VOCA Mozambique has met with over 20 national and international NGOs, eight government directorates and over 40 rural associations, and contacted approximately 20 businesses in six countries with reference to the marketing of eleven different products. Ten training manuals and six leaflets were developed, and widely disseminated to NGOs, associations, unions and government departments. Five volunteer scopes of work were written, **three** assignments were completed within the reporting period, and a further six are under development. A/V-Mozambique completed **nine** assignments in 1998-99, totaling **eleven** assignments completed under the CDP so far.

During this reporting period volunteer assignments were featured in two national and two local press articles and in the national specialist agriculture publication.

#### **HQ and Field Office Administration**

In January 1999, the Ministry of Foreign Affairs and Cooperation ruled that all international non-governmental organizations must reapply for registration, submitting multitudinous supporting documents, reports and government issued application forms. ACDI/VOCA Mozambique was one of the few NGOs to complete all the requirements of the new law before the deadline of February 13, 1999.

At the end of January, the program assistant resigned for personal reasons, and was replaced in February by Mr. Cristiano Taimo, after an extensive interviewing and practical skills testing process.

On February 25, the CDP director, Ms. Ruth Campbell, informed ACDI/VOCA headquarters that she was unable to renew her contract in mid-June, and the position was advertised in *LINK Notícias*, the inter-NGO forum newsletter, and in *Notícias*, the national Mozambique daily newspaper. In April, Ms. Nicky Benn was appointed by Richard Shumann, Regional Representative, who moved to Maputo in January 1999. A comprehensive hand-over period was held during May 1999.

In January, ACDI/VOCA Mozambique was audited and approved by the Ministry of Planning and Finances; in February, the office was inspected and approved by the Ministry of Labor.

During the reporting period, a series of five business development manuals developed by ACDI/VOCA Uganda were adapted and translated for use in Mozambique. Illustrated manuals were written in collaboration with volunteer consultants in solar drying, food processing and



storage, and association development. Materials were also written to clarify current law regarding land titling and association registration. A further two leaflets were created in the "Business Skills for Farmers" series, namely, "Choosing a Market" and "Calculating Transport Costs." All of these materials were widely distributed to NGOs, producer groups and government departments. The Volunteer Welcome Packet was updated and re-written, and a travel advisory e-mail document was produced.

ACDI/VOCA continued to be active in locating domestic and export markets for a number of different products. Subsequent to the sending out of spice samples during the last reporting period, a number of potential buyers have been found for approximately 10 metric tons of dried ginger, due to be sold for export in August 1999. Buyers have also been found for honey in the comb, dried fruits, birdseye chilies, and processed and packaged vegetables.

A scope of work, completed in April, was written for a three-month volunteer assignment in business planning and association development with the Dondo District Union of Associations, the District Directorate of Agriculture, the Women's Community Center, and two producer associations. After detailed study of current land law, a scope of work was developed for community land use mapping and land registration in Manica Province. Also based in Manica and completed within the reporting period was a SOW for the development of methodologies for credit and savings associations of illiterate and innumerate rural women, in collaboration with the governmental Social Action Department.

A volunteer assignment to develop training manuals for the officials of the unions of rural associations was written and scheduled for May, and at the close of the reporting period the volunteer was being processed by recruiting. A follow-up assignment to CD100004, carried out in 1998, was developed, to continue the training of apiculturists from Gorongosa District in the management of top bar hives.

One scope of work being developed by the end of June was the placement of a volunteer for three weeks with the Agricultural Institute of Chimoio to develop a curriculum for Gender and Development. A second SOW will assist the ginger producers along the Mozambique-Zimbabwe border to improve production and processing techniques. Other ideas being developed included the extension of the shelf-life of hand-pressed oils, and institutional development of the Manica Union of Rural Associations, the Rural Women's Association of Nampula and the Zoane Association of Morrumbala.

## **Volunteer and Consultant Activities**

At the beginning of this reporting period, Ms. Nicky Benn was completing her 12-week service with VSO (Voluntary Service Overseas), working with seven producer associations in Dondo District, Sofala Province. Ms. Benn was assisting the association leaders with the development of business plans and organizational structures, and legal registration. At the end of January, the volunteer extended for an additional 12 weeks to work with the UDAC (District Union of Rural Associations), the Directorate for Agriculture, the Women's Community Center (a requesting

organization for CD100001), and two of the original seven producer associations. The two assignments had 44 direct and approximately 1,560 indirect beneficiaries.

With the exception of the VSO volunteer placement, volunteer assignments were suspended from November 1998 until March 1999, due to access problems caused by the heavy seasonal rains.

On March 22, Mr. Terrill Christensen (CD100009) arrived in Beira for a three-week assignment in collaboration with an international NGO, Food for the Hungry, teaching 53 farmers, association leaders, and NGO and government extension staff members various methods of vegetable and fruit processing, storage and value-added packaging. During a week-long workshop in Nhamatanda District, Sofala Province, a simple solar drying unit was constructed by the participants from everyday materials at hand.

On 29 March, Mr. Jordan Holtam (CD100010) began a seven-week assignment working with communities in Barúe and Sussundenga Districts, Manica Province. Mr. Holtam trained staff members from GTZ in the development of community land maps, and worked with the Provincial Directorate of Geography and Survey, and the Association for Rural Mutual Assistance – a national NGO operating in the area of land registration – to clarify for all parties the process of land titling. This assignment facilitated the registration of land belonging to a community of 550 people.

On May 15, Ms. Tina Jones (CD100011) arrived in-country for a three week assignment in Barúe District, Manica Province. Ms. Jones worked alongside members of the PROMUR program (Promotion of Women as Family Head, facilitated by the German agency, GTZ) in providing training to newly formed savings and credit associations. During the three-week period, approximately 200 direct female beneficiaries received training in credit program management, systems implementation and the structuring of repayment policies.

## ***Rural Finance Component***

### **Kyrgyzstan: Building the Viability of the Osh Farm Credit Association**

The Osh Farm Credit Association (OFCA) has completed three loan cycles. With the help of 21 person months of technical assistance funded under the Cooperative Development Program during the last year, it has succeeded in developing a viable loan product for small and medium-scale farmers. Improvements have been made to its lending procedures. An improved legal structure was identified, contingent on the new cooperative law and the National Bank of Kyrgyzstan allowing cooperatives to deliver financial services. Unfortunately, the recently completed cooperative law provides scant legal basis for this strategy, and the National Bank has expressed its reticence. As a result, the credit association will pursue a license as a non-bank financial institution, likely in the form of a corporation in which most shareholders are farmer-borrowers.

This conversion will be a long-term process. Although legal regulations permit it, to date no non-bank financial institution has been licensed. However, the National Bank has expressed an interest in licensing institutions providing financial services to poorer and more rural customers. Currently it is preoccupied with the banking sector, which traditionally has been very conservative, investing most of its assets in government securities rather than loan portfolios. In the wake of significant devaluation and some influential banking scandals, two large banks have closed their doors.

In light of this situation, CDP resources will be used to design and pursue a long-term conversion strategy, which in addition to the legal process will include continued strengthening of products, procedures, internal control systems, and board and management capacity.

The Osh Farm Credit Association hired a new manager in June after the swift firing of the former manager and two loan officers for approving loans outside of established policies. Decisive action by the board and an effective system of loan monitoring and collections prevented these irregularities from affecting the quality of the loan portfolio.

**CDP Input.** Over the last project year, CDP provided approximately 21 person weeks of technical assistance. These included the following assignments, which were described in more detail in the last semi-annual report.

<b>Name, Title</b>	<b>Timing</b>	<b>Key Tasks</b>
Alan Pieper Credit Consultant	3 weeks, July 1998	Trained credit officers in risk analysis and evaluating collateral. Revised loan application forms and assessed financial reporting system
Robert Fries AVP, Rural Finance	2 weeks, July 1998	Assessed project progress, developed CDP work plan and scopes of work for 2 <sup>nd</sup> project year
Robert Coots Volunteer (CD300028)	3 weeks, Feb/March 1998	Developed strategic plan for 1999, with emphasis on human resource management, marketing and MIS.

Robert Coots Volunteer (CD300037)	3 weeks, Sept/October 1998	Designed farmer training program; trained OFCA staff in financial and loan management.
Richard Magnuson Legal Advisor	5 weeks, Oct/November 1998	Assessed legal environment, drafted new bylaws for converting associations to cooperatives, recommended changes in tax code and cooperative law to USAID Commercial Law Advisor.

In March and April 1999, Sylvia Wisniewski carried out a five-week consultancy in the areas of financial management and MIS. Accounting systems were reviewed, shadow financial statements were created to facilitate financial analysis of OFCA, budget planning spreadsheets were developed and a series of financial indicators were introduced. Subsequently, the MIS was automated by a Peace Corps volunteer using Microsoft Access database software. These financial management tools have been shared with the Chui Farm Credit Association in Bishkek.

## Impact

- *A viable loan product.* OFCA loans are evaluated based on the character of the applicant, the applicant's capacity to pay (based on cash flow analysis), and the soundness of the proposed business activity. This procedure itself is a distinguishing characteristic of the product, as loan analysis by commercial banks emphasizes collateral, while most NGOs offer negative interest rates and emphasize poverty alleviation over sustainability. The credit associations face a new challenge in pricing loans effectively in an environment of high and volatile inflation and devaluation.
- *Growing portfolio.* 463 loans have been made to date to 386 borrowers—44 during the fall season of 1997, 105 in the spring 1998 planting season, and 182 in the fall of 1998, and 132 loans in the first half of 1999. Currently there are 318 outstanding loans. Loans past due by more than 15 days have remained below 1% each month in 1998. The portfolio at risk stood at 0.84% at the end of June. In local currency, the value of the portfolio grew 32%, from 11.9 million soms in January to 15.7 million soms in June. However, due to a currency crisis that resulted in 39% devaluation against the dollar in the first half of 1999, the dollar value of the portfolio dropped from \$394,166 to \$374,066. The average loan size in dollars dropped slightly over the same period, from \$1,400 to \$1,200.
- *Replication.* Lessons learned in effective design and servicing of loan products to Kyrgyz farmers are being shared with two fledgling associations launching operations in two other oblasts: Jalal Abad and Chui. These associations were registered in the fall of 1998, with ACDI/VOCA providing start-up financing to each with resources from its food monetization program. A counterpart donor in Jalal Abad, Swiss Caritas, has capitalized the association there with an additional \$200,000.
- *Sustainability.* Financial analysis tools introduced in September allow the Osh Farm Credit Association to track its progress toward sustainability. At that point in time, Operational Self-sufficiency (revenue/operating and administrative expenses) stood at 250% in June.

This reflects relatively low operating expenses -11% of average portfolio. However, when the cost of inflation is included, the financial sustainability ratio stands at 54%. While this reflects continuous improvement (the ratio was 42% in September 1998 and 51% in December), it also highlights the challenge that inflation poses to sustainability. Given recent developments in Kyrgyz law and the state of the financial sector in general, converting the credit associations into a more sustainable legal structure will form part of a longer-term use of CDP and complementary resources.

### **Counterpart Contributions**

- Six months of volunteer time in the second project year (valued at \$54,643);
- Three weeks of GTZ-funded technical assistance in the fall of 1998, at a cost of \$8,500;
- Interest payments to date total more than \$120,000; and
- Capital resources provided to the Jalal Abad Credit Association by Swiss Caritas, in the amount of \$200,000.

### **Peru: National Association of Cajas Rurales**

During the last year, CDP has provided 13 person weeks of technical assistance to the National Association, all during the first half of 1999. In February and March, Charles Meeks carried out a four-week volunteer assignment (CD300048), conducted a risk analysis of loan portfolios and procedures in four member *cajas*. His thorough work and hard-hitting report were well received by the *cajas*. Mr. Meeks specified areas to improve loan management and internal controls, and to eliminate conflicts of interest. Following Mr. Meeks' assignment, CDP funded two local consultants, who each worked with three *cajas* for two and a half weeks, carrying out a needs assessment. The assessments were used by the National Association to prioritize areas of technical assistance that it could program for its members in its upcoming annual work plan. In June CDP funded the former Association manager Jorge Noda, to work with the Association in completing its annual plan and to develop a proposal to the Canadian Fondo de Contravalor, for an operating subsidy that would allow the Association to continue service to its members during its third year of operations.

The departure of the manager, based on his decision to return to his native Bolivia, along with an overhaul in the composition of the board of directors, has placed the Association in a challenging position. Should continued support from the Canadian Fund not materialize, we will need to decide whether CDP resources can be used effectively to strengthen the Association in its quest for financial sustainability.

## ***HQ Strengthening***

ACDI/VOCA proposed to use CDP resources to help establish a rural finance resource center at headquarters, one that could communicate best practices in the field, identify and share across our regional divisions the lessons learned and products developed by our projects, and help to diversify the sources of funding that ACDI/VOCA has to implement rural finance activities.

Over the last year, our Rural Finance unit has made progress in these areas by:

- making presentations on lessons from our experience with Agrocapital in Bolivia for the ODCD fall retreat, and our experience with rural finance in Eastern Europe for the annual SEAP retreat in October;
- continuing the creation and organization of a rural and microfinance library of ACDI/VOCA's best products;
- organizing a one-day training program for headquarters staff, using the financial analysis software developed for our microfinance program in Cape Verde;
- representing ACDI/VOCA at the InterAmerican Seminar on Rural Finance in October, at which Agrocapital made a presentation;
- assisting the InterAmerican Development Bank in obtaining feedback to its Rural Finance strategy paper from relevant NGOs in the hemisphere;
- strengthening the quality of our data base of financial professionals;
- collaborating with the consulting team hired by USAID to document the role of CDOs in microenterprise development;
- completing a graphic presentation that represents ACDI/VOCA's position of best practices for rural finance, and our experience in this field;
- developing rural finance strategies with program staff in Africa; and
- supporting ACDI/VOCA program staff in implementing and winning new UNDP-funded projects under the MicroStart program in Mongolia and Egypt.

While time dedicated to development of proposals for USAID is not charged to the CDP, Rural Finance staff members have also made a significant effort in working with regional staff to improve the quality of our proposals and project oversight.

## ***ACDI/VOCA & Southern States Cooperative Development in Ukraine***

### **Overview**

Our primary deliverable for this project is to help one cooperative – Western Cooperative in Rivne - become profitable. However, we are attempting to leverage this focused effort in a way that identifies and provides assistance to other cooperatives in Western Ukraine. Ultimately, no single small cooperative with limited membership will achieve the economies of scale required to provide meaningful savings and a wider range of services for its members. Therefore, our outreach activities beyond Rivne are essential to longer-term viability of private farmers in the region.

Western Cooperative has been our primary focus for over a year. We have had multiple meetings with cooperative board members over that time and have been able to help them with structural as well as production issues. From the structural perspective, Western heeded our advice that a farmer member should not be the manager. Their original manager has stepped down in order to focus on farming, and they have hired a new manager to work full-time for the needs of the members. Also, we are advising them on an ongoing basis on areas such as membership development, pricing policies and other matters.

Regarding production, we are continuing our effort to help current members improve their productivity in order to attract new members. The project has provided mixed feed, procured from Kyiv Atlantic, to several cooperative members to be used in tightly-controlled feed trials for pigs and cattle. Additionally, we received a donation of seed corn from Pioneer Hi-Bred which the cooperative members are growing this season in our first crop trial.

These trials have had good results to date. (Please see attached volunteer report) Increase in weight gain per kilo of feed for the pig trials has been very good. Increase in milk yield for the dairy trials has also been very good. As for the corn production, poor climatic conditions have prevailed through the spring and early summer, so it is too early to tell what sort of crop will be harvested.

Perhaps more important than the immediate benefits to farmers participating in the trials is the fact that Western has held open houses to demonstrate their progress to farmers who are not yet members of their cooperative. These “Farm Days” were well attended and will contribute to a growth in cooperative membership, we believe.

Beyond the feed and crop trials, the project is also donating a small feed mill to Western. During our last trip in Ukraine, Garnett and Hammerdorfer visited the site that the cooperative has chosen for the mill. We had lengthy meetings over its use and the manner in which the co-op will charge users in order to build capital. The mill will be shipped in August, and a volunteer has been identified to work with Western to get it installed and running. The mill will serve several purposes, the first being the production of quality feed for cooperative members. Second, the mill should be a source of income for the cooperative, part of which will be made

available for a revolving loan fund to be managed either by the cooperative or their own credit union. The third purpose is to attract new members.

While we continue to work with Western, we are moving closer to the establishment of a second cooperative partner in Rivne. We have followed the same process that took place in Rivne (i.e. meetings with farmers at their farms, information gathering on credit, production and other factors, etc.) and hope during our August trip to make further progress. We have contracted with the Director of the Oblast Farm Privatization Agency to gather extensive data on all private farmers in the oblast. We hope to use this data to form the basis of our next partnership.

### **HQ/Field Administration**

No significant staffing moves were made. Vitaly Zinovchuk, President of the Union of Cooperatives, is still our primary paid partner in Ukraine. He has accompanied us on all of our visits to farms and meetings with cooperatives. Now that we have gotten him a reliable e-mail connection, we are happier with the communication and ongoing management of our project. Vitaly still travels often and it is sometimes difficult to ensure to have him as the fundamental communications link between us, Western, our offices in Ukraine, and the Private Farmers Association. No other person, however, has the contacts and project knowledge that he does. He has also built a strong reputation as the leader of the Ukrainian cooperative movement.

Ms. Nadia Potabenko is our primary interpreter and administrative assistant. While not a salaried employee, Nadia performs administrative tasks as needed and has developed a strong understanding of our clients and our expectations.

SSC and A/V received great support from our colleagues in the ACDI/VOCA and Land O' Lakes offices in Lwiw and Kyiv. ACDI/VOCA country representative Albie Ashbrook has generously provided her and her staff's time and expertise particularly in the area of registration for the container that will be sent in August. Her staff have also monitored the feed trials and provide other logistics support. Ken Smith has provided valuable advice on credit issues and is attempting to make a loan to Western. The project has purchased feed mixes, a feed mill and various other supplies for Western Cooperative and other partners.

### **Volunteer/Consultant Activities & Impacts**

We have begun to use volunteers to monitor the feed and crop trials that Western is managing. Our first volunteer, Mr. Charles Stanislaw, has made two visits to Rivne, first to help the farmers set up the trials, and second to help organize and preside over Western's first "Field Days" event. Both trips were quite successful. (Please see addendums for a description of the field days assignment as well as an indication of the progress of the feed and crop trials).

Joe Neal would be the third volunteer travelling to Rivne later this year. His assignment would be to assist with the installation of the feedmill and train cooperative staff in its operation and management. Unfortunately, ACDI/VOCA has no funds from other Ukraine projects left to pay for Southern States' volunteer needs. Therefore we intend to discuss with USAID/BHR/PVC paying for volunteers out of the Southern States CDP budget.



Addendum 1.

**FINAL ACDI/VOCA REPORT  
PROJECT NUMBER CF200228**

**CHARLES STANISLAW, VOLUNTEER**

**I. Executive Summary**

1. **Host Organization and Country:** Western Cooperative, Rivne oblast, Ukraine.
2. **Assignment Dates:** June 20-July 2, 1999.
3. **Scope of Work:** The swine feed trials were evaluated in preparation for the Field Day on June 26, 1999. A total of 45 people attended the Field Day. A seminar on swine production was presented at the Field Day in which it was reported that in one swine feed trial 2.1 kg of “home” feed was required to produce the same amount of pig growth as 1 kg of the special nutritionally balanced pig feed. Slides to be used during the seminar presentation could not be used because of a malfunctioning projector. Sketches and drawings were made in response to numerous inquiries on swine building design and renovation. Swine injected with the commercial product IVOMEK, as recommended by the volunteer on the previous visit, had noticeably improved skin condition and had no visible symptoms of mange or lice. Dairy herd management was discussed in a seminar presentation at the Field Day by Dr. Roy Chapin, Animal Nutritionist, Land O’Lakes. Farm visits following the seminar presentations were used to further emphasize the value of sound swine and dairy husbandry practices.
4. **Recommendation Summary:** Pig production in the private farm sector in Ukraine has great potential to be expanded and to contribute significantly to farmer income. However, before pig production can be increased significantly, a reliable source of protein feed for animals must be located, improved genetics must be made available for breeding, and basic animal husbandry practices, especially in sanitation and environment, must be adopted. Therefore, the following recommendations were made:
  - Current rations fed to swine are seriously deficient in protein and the growth rate is approximately 50 percent of what it should be. Western Cooperative needs to locate a reliable supply of acceptable protein sources to use in its feed manufacturing process. Also, a constant supply of clean drinking water needs to be available to the animals. The lack of adequate drinking water was a major problem on all farms visited.
  - Pigs presently produced in the Rivne area are excessively fat, lack adequate muscle and are small boned (lack ruggedness). An artificial insemination station

that now serves the area should be encouraged to add genetically improved boars to the stud and to make boar semen available for artificial insemination.

- Pig husbandry practices, especially in sanitation and ventilation, need to be improved. Improved building design information was presented but additional information via production manuals and other publications plus follow up volunteer visits needs to be made available.

## II. Body of the Report

1. **The Host Organization:** Western Cooperative is a recently organized cooperative of private farmers. It was formed with the assistance of ACDI/VOCA Kiev and Southern States Cooperative, Richmond, VA. The volunteer worked with several members of the cooperative who were pig producers. Conditions on all farms were similar and the issues/problems listed below applied to all farms.

### 2. Issues/problems

- a. **Issue/problem:** Inadequate protein is seriously limiting pig growth and productivity. Also, sources of protein for animal feed convenient to the Rivne area do not exist.

**Recommendation/action:** Western Cooperative, by pooling its members' protein needs for animal feed, should purchase protein in bulk and resell it to the individual farmers. Cost, including delivery charges, would thus be minimized.

**Anticipated Impact:** A dramatic increase in pig growth and productivity will occur in response to adequate protein intake.

- b. **Issue/problem:** Poor genetic quality in the pig stock is limiting animal performance and meat production.

**Recommendation/action:** Western Cooperative should approach the artificial insemination station in the Rivne area about adding boars with improved genetics to its product line and making semen from these genetically improved boars available for artificial insemination.

**Anticipated Impact:** Meat production, expressed as percent lean of either carcass or live weight, will be increased significantly. Additional production parameters, such as growth rate, litter size and number weaned per litter, will be improved also.

- c. **Issue/problem:** Poor animal environment, especially as it relates to sanitation, is contributing to a problem with internal and external parasites.

**Recommendation/action:** Manure should be removed from the pens and replaced with new straw as often as necessary to insure that the animals have clean, dry

quarters. Also, any new construction or remodeling should use building designs (as supplied by the volunteer) that facilitate a cleaner pig environment.

**Anticipate impact:** Pigs with a cleaner environment will be healthier. This will enable them to respond to improved nutrition and genetics. The sum of this is more net profit to the farmer.

### 3. Key Contacts

Nikolay Voznuk, Chairman, Western Cooperative  
Vitaliy Zinovchuk, Chairman, Ukrainian Cooperative Association  
Vitaliy Stepanovich, Swine Producer  
Nicholay Nimtur, Swine Producer  
Nicholay Prokopchuk, Dairy Producer  
Nicholay Voznuk, Dairy Producer  
Stepan Polevik, Dairy Producer  
Roy Chapin, Nutritionist, Land O'Lakes  
Deneil Parker, Senior Farm Mgt. Specialist, RONCO Consulting Corp.

## III. MEMO TO ACDI/VOCA

### 1. Follow-up Actions

After the Field Day the volunteer traveled to Lviv for two days of swine farm visits in the Lviv oblast. Deneil Parker, RONCO Corporation, was the host and organized visits to two farms. We were unsuccessful in making contact with the artificial insemination station in the Busk region of the Lviv oblast.

The first farm visit was to **PROGRESS FARM**, currently a collective, but the manager is reportedly interested in having the farm privatized. We met with Igor Kozymyrovch, farm director, who reported that the farm inventory included 1,500 to 1,600 pigs, 200 sows and 350 gilts. In other information provided by the farm director, of particular interest is the fact that artificial insemination was being used routinely. However, the zoo technician informed us that no artificial insemination has been used for the last two years. This illustrates the importance of verifying critical word-of-mouth information when assessing management practices and activities.

When we visited the actual swine unit we discovered that only about one ton of dry grain feed remained. No other grain feed would be available until new grain was harvested. All pigs except the breeding animals had been moved to outside pens and were receiving only green alfalfa and water. Most of the pigs were emaciated, sun burned and infested with mange. Unless some form of carbohydrate feed is made available to these animals many will starve before the new grain is harvested. Conditions in the barns with the breeding animals were no better: filthy quarters and improper feed. The best recommendation for this farm would be to eliminate the swine enterprise.

The second farm was **STOYANIV FARM** in the Radekhiv Raion in the Lviv oblast. This farm had been privatized with the assistance of RONCO and contained 2,575 hectares. This farm had 250 sows and was selling most of the pigs at 10 kg to individuals. Many pigs actually were going to the farm employees in lieu of wages. Available grain for pig feeding was limited on this farm also. Some remodeling was being done but considerably more remodeling needed in the pens holding gestating sows. Group sizes were too large, some as large as twenty. Many of the sows were too thin, victims of “boss” sows in the group. The pens need to be subdivided with group sizes of 6-8 sows and grouped on the basis of individual size and body condition. The buildings, although aged and badly in need of renovation, were very clean and air quality was very satisfactory. Particularly impressive was the total absence of flies. Although we did not visit with the farm director or manager, my impression is that this farm was progressive and would respond to outside assistance and information. Another indication of progressive management on this farm was the feeding of sugar beet molasses (byproduct of sugar beet processing) to the cattle to increase energy intake.

On these and all the other farms that I visited in the Ukraine, insufficient protein intake by the animals is very seriously reducing productivity. The culprit is insufficient funds to purchase protein feed and/or actual unavailability of proper protein feed. A national agricultural initiative to increase the availability of animal protein feeds could have tremendous impacts on the productivity of Ukrainian animal agriculture. Even if a national initiative cannot be defined, any activity that addresses this problem at the national, regional or local level should receive consideration.

July 5, 1999  
Charles Stanislaw  
ACDI/VOCA Volunteer

## Addendum 2.

**Report on Western Cooperative feed trials, Rivne, Ukraine**

Ivan Vaskevych

July 7, 1999

**1. Results of dairy trials**

	Vozniuk's Farm		Polevyk's Farm		Prokopchuk's Farm	
	Trial	Control	Trial	Control	Trial	Control
Number of days	55	55	85	85	40	40
Number of cows	3	3	1	1	4	2
Concentrates used total, kg	470	490	320	337	608	306
Concentrates per cow, kg	157	163	320	337	152	152
Amount of milk, liters	4124	2640	1400	1045	2664	878
Milk per cow, liters	1375	880	1400	1045	661	439
Milk per cow per day, liters	25.0	16.0	16.5	12.3	16.7	11.0
Concentrates per 1 liter, kg	0.11	0.19	0.23	0.32	0.23	0.35

**2. Results of pig trials**

	Stepanovych's Farm		Nemtur's Farm	
	Trial	Control	Trial	Control
Number of days	34	34	40	40
Number of pigs	6	2	5	4
Total weight in the beginning, kg	201.0	97.0	121.8	138.1
Total weight in the end, kg	331.5	130.5	264.0	224.5
Increase of weight, kg	130.5	33.5	142.0	86.4
Increase of weight per 1 pig per day, kg	0.640	0.493	0.710	0.540
Concentrates used total, kg	525	191	760	992
Concentrates per 1 kg of increase of weight, kg	4.0	5.7	5.3	11.5

**3. Other issues**

We have started preparations for cooperative grain cleaning operations. The board has decided to buy grain cleaning equipment. Grain calibration and grain transportation equipment also can be bought. On eve of harvest co-op members do not have enough money to buy this equipment; that is why we are looking for credit.

The corn is in a satisfactory condition. The additional fertilization has been done recently. Because of unfavorable weather conditions (high temperature +26-30°C and low humidity) the herbicide was not efficient. The farmers had to use manual labor to improve the situation. The corn is 60-80 cm tall.